

UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION

In the Matter of)

**PAGE COUNTY FEDERAL SAVINGS)
ASSOCIATION)**

Clarinda, Iowa)

OTS Docket No. 04676)

Order No.: MWR-06-11

Date: September 7, 2006

**STIPULATION AND CONSENT TO THE ISSUANCE OF AN
ORDER TO CEASE AND DESIST FOR AFFIRMATIVE RELIEF**

WHEREAS, this Stipulation and Consent to the Issuance of an Order to Cease and Desist (Stipulation), which references the accompanying and above-referenced Order to Cease and Desist (Order), is submitted by **Page County Federal Savings Association, Clarinda, Iowa** (OTS Docket No. 04676) (Page County or the Association) to the Office of Thrift Supervision (OTS), which is acting through its Midwest Regional Director (Regional Director);

WHEREAS, OTS, based upon information derived from the exercise of its regulatory responsibilities, is of the opinion that grounds exist to initiate an administrative cease and desist proceeding against Page County pursuant to 12 U.S.C. § 1818(b)¹, and

WHEREAS, the Association desires to cooperate with OTS and to avoid the time and expense of such administrative proceeding; and,

WHEREAS, the Association (i) without any adjudication on the merits; (ii) without admitting or denying that such grounds exist; or (iii) without admitting or denying the Findings of Fact or opinions and conclusions of OTS, except as to Jurisdiction, Paragraph 1, below, which is admitted, hereby stipulates and agrees to the following:

1. Jurisdiction

- A. The Association is a "savings association" within the meaning of 12 U.S.C. § 1813(b) and 12 U.S.C. § 1462(4). Accordingly, it is a "depository institution" as that term is defined in 12 U.S.C. § 1813(c).

¹ All references to the United States Code (U.S.C.) are as amended, unless otherwise indicated.

- B. Pursuant to 12 U.S.C. § 1813(q), the Director of the OTS is the “appropriate Federal banking agency” with jurisdiction to maintain an administrative cease and desist proceeding against such savings association. Therefore, the Association is subject to the jurisdiction of OTS to initiate and maintain cease and desist proceedings against it pursuant to 12 U.S.C. § 1818(b). The Deputy Director of OTS, pursuant to delegated authority from the Director of OTS, has delegated to the Regional Director the authority to issue cease and desist orders where the savings association has consented to the issuance of the orders.

2. **OTS Findings of Fact**

OTS finds that the Association has engaged in violations of:

- A. 12 C.F.R. § 560.160(a) (establishment of asset classification system);
- B. 12 C.F.R. § 560.160(b) (establishment of adequate valuation allowances and charge-offs);
- C. 12 C.F.R. § 560.170(a) (loan underwriting);
- D. 12 C.F.R. § 560.170(b) (documentation of repayment sources);
- E. 12 C.F.R. § 560.170(c) (enforceability of claims against borrower and collateral);
- F. 12 C.F.R. § 560.170(d) (administration and monitoring of loans);
- G. 12 C.F.R. § 560.170(e) (loan documentation that takes into consideration the size and complexity of the loan);
- H. 12 C.F.R. §§ 562.1(b)(2) and 562.2(b) (accurate filing of thrift financial reports in accordance with instructions);
- I. 12 C.F.R. § 564.3(a) (required appraisals);
- J. 12 C.F.R. § 564.3(b) (required evaluations for loans not requiring an appraisal); and
- K. 24 C.F.R. § 3500.17(i) (annual escrow account analysis and provision of annual escrow account statement).

3. **Consent**

- A. The Association consents to the issuance by OTS of the accompanying Order.
- B. The Association further agrees to comply with the terms of the Order upon issuance. The Association further stipulates and agrees that the Order complies with all requirements of law.

4. **Finality**

The Order is issued under 12 U.S.C. § 1818(b). Upon its issuance by OTS, acting by and through its Regional Director, the Order shall be a final order, effective and fully enforceable by OTS under the provisions of 12 U.S.C. § 1818(i).

5. **Waivers**

The Association waives the following:

- A. The right to be served with a written notice of OTS's charges against it as provided by 12 U.S.C. § 1818(b);
- B. The right to an administrative hearing of OTS's charges against it as provided by 12 U.S.C. § 1818(b);
- C. The right to seek judicial review of the Order, including, without limitation, any such right provided by 12 U.S.C. § 1818(h) and (i), or otherwise to challenge the validity of the Order;
- D. Any and all claims against OTS, including its employees and agents, and any other governmental entity for the award of fees, costs or expenses related to this OTS enforcement matter and/or the Order, whether arising under common law, the Equal Access to Justice Act, 5 U.S.C. § 504, or 28 U.S.C. § 2412; and
- E. The right to assert this proceeding, its consent to the issuance of the Order, the issuance of the Order, the payment of any monies or the provision of any other financial relief as contemplated by the Order as the basis for a claim of double jeopardy in any pending or future proceeding brought by the United States Department of Justice or any other governmental entity.

6. **Other Governmental Actions Not Affected**

- A. Upon OTS's issuance of the accompanying Order, following OTS's acceptance of this Stipulation, executed by the Association, OTS does release and discharge the Association from all potential claims and charges that have been or might have been asserted by OTS, based on the violations and safety and soundness deficiencies described in the Findings of Fact set forth in Paragraph 2 of this Stipulation, to the extent known to OTS as of the effective date of the accompanying Order. However, the violations alleged above in Paragraph 2 of this Stipulation may be utilized by OTS in future enforcement actions to establish a pattern of practice of violations or the continuation of a pattern or practice of violations. This release shall not preclude or affect any right of OTS to determine and ensure compliance with the terms and provisions of this Stipulation and the Order.

- B. The Association acknowledges and agrees that its consent to the issuance of the Order does not release, discharge, compromise, settle, dismiss, resolve, or in any way affect any actions, charges against, liability or other administrative, civil or criminal proceeding that may arise pursuant to this action or otherwise or that may be or has been brought by another governmental entity against the Association or any institution-affiliated party thereof or by OTS against any institution-affiliated party of the Association.

7. **Miscellaneous**

- A. The laws of the United States of America shall govern the construction and validity of this Stipulation and the Order.
- B. In case any provision of the Stipulation or Order is ruled to be invalid, illegal, or unenforceable by the decision of any Court of competent jurisdiction, the validity, legality, and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby, unless the Regional Director in his or her sole discretion determines otherwise.
- C. All references to OTS or the Association in this Stipulation and the Order shall also mean any of OTS's or Association's predecessors, successors, and assigns.
- D. The section and paragraph headings in this Stipulation and the Order are for convenience only and shall not affect the construction hereof of the Stipulation or the Order.
- E. The terms of this Stipulation and the Order represent the final written agreement of the parties with respect to the subject matters hereof, and constitute the sole agreement of the parties with respect to such subject matters.
- F. This Stipulation and the Order shall remain in effect until terminated, modified, or suspended in writing by OTS, acting through its Director, Deputy Director, Regional Director or other authorized representative.

8. **Signature of Directors**

Each Director of the Association's Board of Directors signing this Stipulation attests that he/she voted in favor of a resolution authorizing the execution of the Stipulation. A copy of the resolution of the Board of Directors of Page County, authorizing execution of this Stipulation, shall be delivered to OTS, along with the executed original of this Stipulation.

WHEREFORE, Page County Federal Savings Association, Clarinda, Iowa, by a majority of its directors, executes this Stipulation and Consent to the issuance of an Order to Cease and Desist for Affirmative Relief, intending to be legally bound hereby.

Accepted by:

OFFICE OF THRIFT SUPERVISION

By: Frederick R. Casteel Effective Date: 9/7/06
~~Fol~~ Regional Director
Midwest Region

PAGE COUNTY FEDERAL SAVINGS ASSOCIATION, CLARINDA, IOWA
Accepted by a Majority of its Directors

Gary D. Alger, President and Director

Gordon C. Reed, Chairman of the Board and Director

Randy K. Pullen, Director

Rita Gilmore, Director

Dallas Glenn, Director

Charles G. Hookham, Director

Jean Negley, Director

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PAGE COUNTY FEDERAL SAVINGS)
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Clarinda, Iowa)
OTS Docket No. 04676)

Order No.: MWR-06-11

Date: September 7, 2006

CONSENT ORDER TO
CEASE AND DESIST FOR AFFIRMATIVE RELIEF

WHEREAS, Page County Federal Savings Association, Clarinda, Iowa (Page County or Association) (OTS Docket No. 04676), by and through its Board of Directors (Board), has executed a Stipulation and Consent to the Issuance of an Order to Cease and Desist for Affirmative Relief (Stipulation);

WHEREAS, the Association, by execution of this Stipulation, has consented and agreed to the issuance of this Consent Order to Cease and Desist for Affirmative Relief (Order) by the Office of Thrift Supervision (OTS), pursuant to 12 U.S.C. § 1818(b);¹ and

WHEREAS, the Deputy Director of the OTS has delegated to the Regional Directors of OTS the authority to issue Orders to Cease and Desist on behalf of OTS where a savings association has consented to the issuance of the Order.

NOW THEREFORE, IT IS ORDERED THAT:

1. Compliance with Regulatory Requirements

The Association and its directors, officers, employees, and agents, shall cease and desist from any action (alone or with another or others) for or toward causing, bringing about, participating in, counseling, aiding or abetting any unsafe or unsound practice or any violation of:

- A. 12 C.F.R. § 560.160(a) (establishment of asset classification system);
- B. 12 C.F.R. § 560.160(b) (establishment of adequate valuation allowances and charge-offs);
- C. 12 C.F.R. § 560.170(a) (loan underwriting);
- D. 12 C.F.R. § 560.170(b) (documentation of repayment sources);
- E. 12 C.F.R. § 560.170(c) (enforceability of claims against borrower and collateral);

¹ All references to the United States Code (U.S.C.) are as amended, unless otherwise indicated.

- F. 12 C.F.R. § 560.170(d) (administration and monitoring of loans);
- G. 12 C.F.R. § 560.170(e) (loan documentation that takes into consideration the size and complexity of the loan);
- H. 12 C.F.R. §§ 562.1(b)(2) and 562.2(b) (accurate filing of Thrift Financial Reports in accordance with instructions);
- I. 12 C.F.R. § 564.3(a) (required appraisals);
- J. 12 C.F.R. § 564.3(b) (required evaluations for loans not requiring an appraisal); and
- K. 24 C.F.R. § 3500.17(i) (annual escrow account analysis and provision of annual escrow account statements).

2. Commercial Lending

- A. By **August 31, 2006**, the Board shall provide a written confirmation that the Association ceased commercial lending transactions as of May 22, 2006, unless otherwise approved by OTS in writing.
- B. For purposes of this Order, a commercial lending transaction is defined as (1) all loans primarily for business or agricultural purposes, including loans secured by, and to finance real estate granted for occupancy by a business or businesses, or where the rental or sale of the real estate provides the primary source of repayment; operating lines of credit; inventory financing; or equipment loans; (2) the renewal, modification, or extension of the aforementioned loans; and (3) direct or indirect purchase of such loans.
- C. The Association shall submit all requests to engage in a commercial lending transaction to OTS at least 30 days prior to the anticipated loan approval date. Such submissions shall include (1) a detailed description of the transaction; (2) documentation that demonstrates compliance with applicable regulations, including but not limited to 12 C.F.R. § 560.170 and 12 C.F.R. Part 564; and (3) a copy of the minutes reflecting the Board's review of the transaction.

3. Loan Underwriting

- A. By **September 30, 2006**, the Board shall adopt revised Loan Underwriting Policy and Procedures that provides for, or requires the following at a minimum:
 - 1. Before any secured loan is approved, receipt of an appraisal or evaluation of the collateral and for any real estate loan, an appraisal or evaluation that complies with the standards set forth in 12 C.F.R. Part 564, Thrift Bulletin 55a, Section 208 of the OTS Examination Handbook, and OTS CEO Letter No. 240, entitled "2006 Revisions to Uniform Standards of Professional Appraisal Practice," dated June 22, 2006; and

2. Loan file reorganization, including but not limited to the establishment of separate files for each loan with file dividers to organize loan documentation and loan underwriting and credit administration checklists.
- B. Beginning **September 30, 2006** quarter and quarterly thereafter until completed, the Board shall review and submit to OTS a quarterly report summarizing management's efforts to complete the reorganization of all existing loans in accordance with Paragraph 3A hereof.
- C. The Board shall require management to implement and adhere to the revised Loan Underwriting Policy and Procedures. The Board shall be responsible for ensuring and verifying the Association's compliance with the Loan Underwriting Policy and Procedures.

4. Credit Administration

- A. By **September 30, 2006**, management shall submit to the Board written procedures for ongoing credit administration of all nonhomogeneous loans (1) that requires, but is not limited to (a) obtaining updated financial information or credit reports from borrower(s) and/or guarantor(s) and income-producing collateral during the term of the loans; (b) periodic documentation of collateral value or description of any changes in collateral; (c) tracking of the borrower's compliance with conditions of loan approval; and (d) identifying, tracking, and correcting credit and collateral documentation exceptions and loan policy exceptions; and (2) that includes procedures for the collection of loans in default. The Association shall comply with the Credit Administration Procedures.
- B. On **September 30, 2006** and quarterly thereafter, management shall make a report to the Board regarding its review of the credit administration of loans, with a copy to OTS.
- C. The Association shall not make a disbursement on a construction loan unless such disbursement complies with Association's Construction Loan Policy and is based on progress inspections and budget comparisons. By **September 30, 2006**, management shall develop written procedures to ensure lien waivers are obtained before disbursements are made and that the loans-in-process balances are sufficient to complete construction.

5. Asset Classification

- A. By **August 31, 2006**, the Board shall ensure that the Association's books, records and Thrift Financial Reports reflect the asset classifications and increase in allowances for loan and leases losses (ALLL) that were required by OTS.
- B. By **September 30, 2006**, the Board shall approve a revised Asset Classification Policy that (1) complies with 12 C.F.R. § 560.160; Section 260 of the OTS Examination Handbook and Section II.G of Appendix A to 12 C.F.R. Part 570; (2) sets forth an acceptable internal review methodology for reviewing and classifying assets including but not limited to, retail assets in accordance with OTS CEO Letter No. 128, entitled

"Revised Uniform Retail Credit and Account Management Policy," dated July 27, 2000 and repossessed assets; (3) requires quarterly reviews of all assets with credit risks including but not limited to nonhomogeneous loans ; (4) provides for segregation of loans into categories based on similar degrees of risk; (5) requires documentation and support for the classified asset category assigned by management; (6) requires ALLL to be determined and maintained for portfolio category, taking into consideration historical loss experience, in accordance with OTS CEO Letter No. 192, entitled "Update on Accounting for Loan Lease Losses," dated March 1, 2004; (7) requires quarterly evaluation of the allocation for ALLL and the required additional allocation of ALLL to be reflected in the Association's books and records within **30 days after the evaluation** and in the Association's Thrift Financial Report; and (8) the development of action plans and monitoring of action plans in accordance with Paragraphs 5B and 5C hereof. The Board shall submit a copy of the Asset Classification Policy and its minutes approving the Policy to OTS by **September 30, 2006**.

- B. Beginning with month ending **August 31, 2006 and monthly thereafter**, management shall develop a written action plan to resolve each nonhomogeneous classified asset over \$100,000, or any nonhomogeneous classified asset less than \$100,000 that is part of an aggregate credit line exceeding \$100,000, and submit a copy to the Board for review and discussion, with a copy to OTS, by no later than **30 days after the end of the month**. The action plan shall set forth, at a minimum, an analysis of the cash flow, debt service coverage, the current status of the collateral and steps taken to perfect the Association's interest in the collateral, and a strategy for resolving the classified asset.
- C. Beginning with the **June 30, 2006 quarter and quarterly thereafter**, the Association shall submit to OTS the current list of all classified assets approved by the Board, including assets classified special mention. The Board shall, at each quarter, ensure that management has developed a written action plan for each classified assets in accordance with Paragraph 5C hereof, shall review the status of the action plans, and the adequacy of ALLL. The Board shall submit a copy of the list of classified assets and minutes reflecting the Board's approval to OTS by **60 days after the end of the June 30, 2006 quarter and 30 days after the end of the quarter thereafter**.
- D. Beginning on **October 31, 2006 and quarterly thereafter**, management shall provide to the Board a report on the adequacy of the ALLL based on the factors noted in the Association's Asset Classification Policy, including but not limited to the historical loss experience and management's evaluation of the assets. **Beginning on October 31, 2006 and quarterly thereafter**, the Board shall review and approve the adequacy of ALLL. The Board shall submit a copy of the Board minutes reflecting its review and approval and a copy of management's report to OTS by **30 days after the end of the quarter**.

6. Real Estate Settlement Procedures Act

- A. By **August 31, 2006**, management shall develop, implement, and present to the Board written procedures and a system of internal controls to ensure compliance with the requirements of 24 C.F.R. § 3500.17(i) for the timely preparation of the annual

escrow analysis and the timely delivery of the annual escrow account statement to the borrowers within 30 days of the completion of escrow account computation year as defined in 24 C.F.R. § 3500.17(b). The Board's review shall be fully documented in the Board's minutes, a copy of which shall be submitted to OTS. The Association shall comply with the written procedures.

- B. Beginning on **September 30, 2006 and quarterly thereafter**, management shall provide a status report to the Board, with a copy to OTS, regarding compliance with the procedures set forth in Paragraph 6 hereof.

7. Compliance Officer

By **September 30, 2006**, the Board shall designate an individual who has the expertise, training, time, and resources to serve as the Association's Compliance Officer. The Compliance Officer's duties shall include, but not be limited to: (a) implementing the Association's Compliance Program in accordance with Paragraph 8 hereof; (b) preparing self-assessments of compliance with consumer regulations in accordance with an annual schedule; (c) ensuring corrective actions are taken promptly to correct deficiencies found in the assessments, independent tests or audits, and reports of examinations; and (d) preparing periodic reports to the Board.

8. Compliance Program

- A. By **December 31, 2006**, the Board shall establish, adopt, and submit to OTS for written notice of non-objection a Compliance Program that (1) requires the establishment of specific procedures and internal controls to comply with all applicable consumer and public-interest related laws and regulations, including but not limited to the statutory and regulatory requirements for which the Association has been cited as being in violation or having deficient procedures in the compliance self-assessments, the report of examination, or exceptions sheets given to management; and (2) sets forth a Compliance Policy that addresses the components of Systems, Monitoring, Assessment, Accountability, Response and Training (SMAART) Policy outlined in Appendix A to Section 1100 of the OTS Examination Handbook. The Board may consider the retention of qualified consultant(s) to assist with the development of the Compliance Program.

- B. The Compliance Program shall require:

1. Development of systems, written procedures, monitoring processes, compliance recordkeeping, and staff accountability to ensure compliance with regulatory requirements in accordance with the guidelines set forth in Appendix A to Section 1100 of the OTS Examination Handbook;
2. Delineation of responsibilities of the Board, President, and the Compliance Officer;
3. Incorporation of a risk-focused self-assessment program that provides for periodic and systemic review of records and operations by a qualified third

person or third party contractor to identify customer transactional violations and program deficiencies;

4. A process for promptly remedying regulatory violations, correcting self-identified and OTS examination deficiencies; addressing consumer complaints; and revising the Compliance Program, if appropriate, to address deficiencies;
 5. Comprehensive training program to ensure that: (a) the board members have a general understanding of applicable regulations and the Association's Compliance Program before their review; (b) each officer and employee who is involved in customer transactions is aware of, and understands the applicable laws and regulations, and related procedures for which he or she is responsible for compliance; and (c) the Compliance Officer has the expertise to oversee the Program;
 6. Periodic reporting, no less than annually, to the Board by the Compliance Officer regarding (a) the results from the compliance assessments, independent tests, or OTS examinations and corrective actions taken and those matters that have not been corrected; (b) any significant changes in compliance regulations; (c) any proposed revisions to the Compliance SMAART Program (1) to incorporate new regulatory or OTS policy requirements or (2) to address deficiencies noted in external or internal reviews; and (d) the effectiveness of the compliance training program, including the scope and frequency of training and any proficiency standards; and
 7. A fully documented review by the Board of the Compliance Program, no less than annually beginning on **June 30, 2007**, that (a) addresses the Compliance Officer's performance and functions and determines whether the Compliance Officer has the expertise, training, resources, and time to perform assigned compliance functions; (b) addresses the (1) the adequacy of the implementation of systems and monitoring processes, and (2) the adequacy of the compliance assessments performed and review of the scheduled compliance assessments based on compliance risks and new regulatory requirements; (c) review of the timeliness and adequacy of the correction of identified regulatory violations and deficiencies and any failure to comply with the Compliance Program; and (d) review of the adequacy of the training program.
- C. By **December 31, 2006**, the Association shall implement the written compliance procedures required by Paragraph 8B hereof and the Compliance Officer shall provide a report to the Board regarding the compliance procedures. The Board's review of the compliance report shall be documented in the Board minutes.

9. Compliance with Enforcement Action

- A. By **August 31, 2006**, the Board shall adopt an amended Bank Secrecy Act (BSA) Training Program that fully complies with Paragraph 2 of the December 14, 2004 Board Resolution (Board Resolution).

- B. By **August 31, 2006**, the Board shall submit an excerpt from Board minutes that (1) document the BSA Officer's submission of, and the Board's review of the written BSA training report required by Paragraph 3 of the Board Resolution and (2) provide a summary of the actions taken to address any deficiencies. The Board also shall submit a copy of the training report to OTS.
- C. By **September 30, 2006**, the Board shall submit a copy of the 2006 BSA independent test report that complies with Paragraph 4 of the Board Resolution.
- D. By **August 31, 2006**, the Board shall submit to OTS a description of the procedures that the Board has implemented to ensure full and timely compliance with the Board Resolution and documentation of the compliance with the Board Resolution. The Association shall comply with the Board Resolution. By **30 days after the end of each quarter**, the Board shall submit to OTS a resolution stating whether the Association is in full compliance with each applicable requirement of the Board Resolution and indicating any area of noncompliance.

10. Corporate Governance

- A. By **September 30, 2006**, the Board shall establish corporate governance procedures that require (a) Board minutes and Board Committee minutes reflect fully, specifically, and accurately all matters presented to, and discussed by the Board at Board and Board Committee meetings, in accordance with 12 C.F.R. § 563.170(c), including but not limited to the Board's review of the Association's policies and required regulatory reviews; and (b) the Board and Committee members review and approve or modify the minutes at the next Board or Board Committee meeting.
- B. The Board, the President, and the designated preparer(s) of the minutes shall comply with the corporate governance procedures. Each Board and Committee member shall ensure that the minutes clearly and accurately reflect his or her actions, discussions, dissensions, and votes before approving the minutes.

11. Thrift Financial Reports

- A. The Association shall comply with 12 C.F.R. §§ 562.1 and 562.2 with respect to the accuracy of the Association's Thrift Financial Reports (TFRs).
- B. By **August 31, 2006**, management shall submit to the Board, with a copy to OTS, procedures and internal controls to ensure the accuracy of the Association's TFRs, including but not limited to the proper coding of loans and recording of the appropriate charge-offs and classified assets.

12. Business Plan

- A. By **December 31, 2006**, the Board shall adopt, and submit to OTS, a revised comprehensive three-year business plan for years 2007, 2008, and 2009 (Business Plan). In addition to the narratives that describe all current lines of business, products, services, and delivery of products and services, including but not limited to

checking accounts and internet banking, the Business will include three-year pro forma financial statements including a description of the assumptions for interest rate scenarios, changes in asset/liability mix, capital levels, noninterest income and expense, and any new product or service. The pro forma statements should include any projected costs for management succession, a new loan officer, and the hiring or training of a compliance officer.

- B. The Board shall direct management to follow and implement the Business Plan after receiving written notice of non-objection from OTS. Any material new activity, operation, or line of business shall require the prior review and approval of the Board and a written notice of non-objection from OTS. The Association shall submit any material modifications to the Business Plan to OTS **30 days prior to implementation**, unless the OTS waives such time period.
- C. Management shall prepare, and submit to the Board, with a copy to OTS, semiannual variance reports on the Association's compliance with the Business Plan within **30 days after the close of each calendar semi-annual period**. The Board's review of the Business Plan and management's variance reports shall be fully documented in the Board meeting minutes, a copy of which shall be submitted to OTS.

13. Management Succession Plan

- A. By **December 31, 2006**, the Board shall adopt, and submit to OTS for its written non-objection, a revised written Management Succession Plan (Succession Plan) that addresses the hiring of a successor or replacement for the current President who has the banking experience, regulatory knowledge, and leadership skills to implement the Business Plan required by Paragraph 12 hereof and to address the regulatory violations and deficiencies set forth in the OTS report of examination, independent tests and audits, and compliance assessments. The Succession Plan (1) shall provide for the establishment of a Recruitment Committee by **January 31, 2007** and (2) require at least **quarterly** status reports to the Board regarding the status of the recruitment efforts. The Recruitment Committee's actions and the Board's review of the status reports and actions shall be fully documented in the minutes of the meetings.
- B. Upon receipt of written notice from OTS of the acceptability of the Succession Plan (with such revisions as may be required by OTS), the Association shall immediately implement the Succession Plan.

14. Restrictions on Golden Parachute Payments

The Association shall not make any "golden parachute payments" (as that term is defined in 12 U.S.C. § 1828(k) and 12 C.F.R. Part 359), except as permitted under the applicable statute and regulation.

15. Regulatory Review of Employment Contracts

The Association shall not enter into any employment contracts without the prior review and notice of non-objection of the Regional Director.

16. Restrictions on Adding or Replacing a Board Member, Employing a Senior Executive Officer, or Changing the Responsibilities of a Senior Executive Officer

The Association shall not add or replace any member of its Board, employ any new senior executive officer or change the responsibilities of any senior executive officer, except in accordance with 12 C.F.R. §§ 563.550 through 563.590, and Section 32 of the Federal Deposit Insurance Act (FDIA), 12 U.S.C. § 1831i.

17. Compliance with Order

- A. All policies, procedures, corrective actions, plans, programs, and reviews required by this Order (collectively referred to as Plans and Policies) shall conform to all applicable statutes, regulations, and written OTS policy and guidance that has been published by OTS or distributed by OTS to OTS-regulated institutions. The Board shall revise such Plans and Policies as required by OTS. The Association's failure to comply with a Plan or Policy is considered a violation of this Order.
- B. The Board and management of the Association shall take immediate action to cause the Association to comply with the provisions of this Order.
- C. This Order requires the Association to receive approval, notice of non-objection, or notice of acceptability from OTS for certain Board actions. The Board affirms that such regulatory oversight does not derogate or supplant each individual member's continuing fiduciary duty. The Board shall have the ultimate responsibility for overseeing the safe and sound operation of the Association at all times including compliance with OTS's determinations as required by this Order.
- D. By the **thirtieth (30th)** calendar day after the end of each **calendar month**, beginning with the month of **August, 2006**, the Board shall adopt and submit to OTS a certified copy of a board resolution formally resolving that, following a diligent inquiry of relevant information (including a report from Association's management regarding the Association's compliance with each provision of this Order), to the best of its knowledge and belief, during the immediately preceding calendar month, the Association has complied with each provision of this Order currently in effect, except as otherwise stated. The Compliance Resolution shall: (1) specify in detail how, if at all, full compliance was found not to exist; and (2) identify all notices of exemption or non-objection issued by OTS that were outstanding as of the date of its adoption. In the event that one or more directors do not agree with the representations set forth in a Compliance Resolution, such disagreement shall be noted in the Board meeting minutes.

MISCELLANEOUS

18. Definitions

- A. All technical words or terms used in this Order and Stipulation for which meanings are not specified or otherwise provided by the provisions of this Order shall, insofar as applicable, have meanings as defined in Chapter V of Title 12 of the Code of Federal Regulations, Home Owners' Loan Act (HOLA), FDIA or OTS Publications. Any such technical words or terms used in this Order and undefined in said Code of Federal Regulations, HOLA, FDIA, or OTS Publications shall have meanings that are in accordance with the best custom and usage in the savings and loan industry.
- B. For purposes of this Order, nothing shall be deemed "acceptable", as that term is used in this Order, unless the Regional Director, or the assigned OTS Regional Deputy Director or Assistant Director, has stated in writing that it is acceptable or has provided a written notice of non-objection to it.

19. Successor Statutes, Regulations, Guidance, Amendments

Reference in this Order to provisions of statutes, regulations, and OTS Publications shall be deemed to include references to all amendments to such provisions as have been made as of the Effective Date of this Order and references to successor provisions as they become applicable.

20. Notices

- A. Except as otherwise provided herein, any request, demand, authorization, directive, notice, consent, waiver or other document provided or permitted by this Order to be made upon, given or furnished to, delivered to, or filed with:
1. OTS, by Page County, shall be addressed to the Assistant Director, Office of Thrift Supervision, Department of the Treasury, 225 East John Carpenter Freeway, Suite 500, Irving, Texas 75062-2327 or telecopied to (972) 277-9500; and
 2. Page County, by OTS, in each case shall be addressed to Chief Executive Officer or the Board of the Association, at 123 East Main Street, Clarinda, Iowa 51632-1611 or telecopied to (712) 542-4404.
- B. Such delivery shall be sufficient for every purpose hereunder if in writing and mailed, first class, postage prepaid; sent via overnight delivery service; physically delivered; or means of electronic transmission. If there is a dispute about the date on which a written notice has been received by a party to this Order, then, in the event such notice was sent by United States mail, there shall be a presumption that the notice was received two (2) business days after the date of the postmark on the envelope in which the notice was enclosed.

C. The Association shall submit reports required by Paragraphs 3B, 4B, 5C, 5D, 5E, and 6B hereof to Field Manager Doug Pittman at his designated office. The Association shall make all other submissions in accordance with Paragraph 20A hereof.

21. Time Limits and Suspension or Termination of Requirements

Time limitations for compliance with the terms of this Order run from the Effective Date, unless otherwise noted. The Regional Director, or the assigned OTS Regional Deputy Director or Assistant Director, may extend any time limits set forth in this Order by specifically granting that extension in writing. The Regional Director may suspend or terminate the requirement of the Association through a written notice that expressly provides for such suspension or termination.

22. No Violations Authorized; OTS Not Restricted

Nothing in this Order or the Stipulation shall be construed as: (a) allowing the Association to violate any law, rule, regulation, or OTS or Federal Deposit Insurance Corporation policy statement to which it is subject, or (b) restricting or estopping the OTS from taking any action(s), including without limitation any actions that it believes are appropriate in fulfilling the responsibilities placed upon it by law.

23. Effect of Headings

The Section Headings herein are for convenience only and shall not affect the construction hereof.

24. Incorporation

The Stipulation is made a part hereof and is incorporated herein by this reference.

25. OTS Review of Actions Requested

The Regional Director, or the assigned OTS Regional Deputy Director or Assistant Director, may provide a written notice of non-objection, acceptability, or objection, or request additional information with respect to any submission to OTS required by this Order.

26. Integration Clause

This Order represents the final written agreement of the parties with respect to the subject matter hereof and constitutes the sole agreement of the parties, as of the Effective Date, with respect to such subject matter. However, as noted herein, all Policies and Procedures (collectively, the Plans) required by this Order shall, upon modification consistent with the direction of the Regional Director if such direction is given, become part of this Order and any deviation from these Policies and Procedures or Plans shall be deemed a violation of this Order.

27. Duration, Termination, or Suspension of Order

The Stipulation and the Order shall remain in effect until terminated, modified, or suspended in writing by the OTS, acting through its Director, Deputy Director, Regional Director, or other authorized representative.

28. Effective Date

This Order is and shall become effective on the Effective Date, as shown in the caption hereof.

OFFICE OF THRIFT SUPERVISION

By: _____
~~F.R.~~ Frederick R. Casteel
Midwest Regional Director